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DEPT FOR AF/W, INR/AA  
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SUBJECT: NIGERIA: BI-WEEKLY POL/ECON UPDATES FOR JUNE 1-15, 2008

REF: ABUJA 1014

11. (U) Following is a joint Embassy Abuja ConGen Lagos compilation of June 1-15, 2008 political/economic highlights, which did not feature in our other reporting, covering:

- National Assembly
- The Presidency
- Niger Delta
- Oil and Gas
- General Economic News
- Other Important Issues

National Assembly

12. (SBU) On June 3, 2008 former Senator Abba-Aji replaced former Senator Florence Ita-Giwa as the President's Special Advisor for National Assembly matters. Ita-Giwa's exit came only a few days after the Presidency announced the departure of Chief of Staff General Abdullahi Mohammed. Like General Mohammed, Senator Ita-Giwa was first appointed under the Obasanjo administration and had been retained by President Yar'Adua. Although Ita-Giwa insisted that she voluntarily left the Special Advisor post to "concentrate on and serve her own people" from the Bakassi region, many observers believe her resignation, coupled with her speedy replacement by a loyal Yar'Adua man, is another diminution of former President Obasanjo's political influence within the current government.

13. (U) On June 15th, the Senate Committee on the Federal Capital Territory (FCT) recommended that the FCT government revoke the titles to a total of 4,352 plots of land in Abuja allocated by former FCT Minister Mallam Nasir El-Rufai during his final 30 days in office. The recommendation was contained in the committee's interim report on its investigation into activities of the past FCT Administration (1999-2007). Senators faulted the allocations, particularly those to Rufai's family members, as well as 655 plots signed out by Rufai May 28, 2007 (the last day of the previous administration) several days after the dissolution of the Federal Executive Council by the former President. The Senate committee has concluded that the land distributions in the final days of the administration were illegal because by law Rufai was no longer the minister after Obasanjo dissolved his cabinet.

## The Presidency

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14. (SBU) On June 8, 2008, Joseph Makoju, Special Advisor to the President on Energy, announced his resignation from the government. However, Makoju, another holdover from the previous administration, has offered to continue to advise Yar'Adua in an "honorary" capacity. Makoju was first appointed by former President Obasanjo to turn around the crisis-ridden Nigeria Electric Power Authority (now named Power Holding Company of Nigeria), and was then elevated to the position of Presidential Advisor. In spite of the lingering crisis in the energy sector, he remained an influential figure in the last administration. His exit is viewed as another setback for Obasanjo.

## Niger Delta

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15. (U) The GON signed a Memorandum of Understanding (MOU) with the British government for the establishment of a legal framework for permanent and visiting military training teams. While press reports did not give the specifics of the June 12 agreement, it appears the MOU will lay the groundwork for greater UK involvement in the training of Nigerian military forces operating in the restive Niger Delta region, and possibly also in preparing Nigerian troops for their international peacekeeping deployments. In signing the agreement, Minister of Defense Mahmud Yayale Ahmed is reported to have said that the lack of British military involvement with Nigeria "has allowed others to scavenge and take into more and more of our defense policies." While Post

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is unsure what the DefMin meant by this, his comments were made at a time when Nigeria's military has been increasing its engagement with foreign, primarily Western, militaries, including with his Chief of Defense Staff publicly talking about working with Africom.

16. (U) In the face of criticism from the Movement for the Survival of the Ogoni People and the Ijaw Youth Council, Senior Special Assistant to the Vice President Ima Niboro issued a June 12 statement supporting the choice of U.N. Under-Secretary General for Political Affairs Ibrahim Agboola Gambari as chairman of the steering committee for the upcoming summit on the Niger Delta. The statement said that Gambari's extensive experience in international conflict resolution gave the "Niger Delta issue a global perspective." Several indigenous ethnic groups have criticized what they say was Gambari's lack of a constructive role following the 1995 execution of Ken Saro-Wiwa and ten other Ogoni activists, and have threatened to boycott any proceedings held under Gambari's auspices.

## Oil and Gas

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17. (U) The GON has delayed a decision on raising gasoline prices until December 31, 2008. While announcing the delay, the Minister of State for Energy (Petroleum) Odein Ajumogobia hinted at the possibility that a change to subsidy would target assistance to the poor rather than set one fixed gasoline price for all consumers. Union leaders said that any price increase would be unacceptable.

## Banking Sector

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18. (U) On May 11, the Executive Director of Corporate Banking at Oceanic Bank told Econoff of plans to reinvigorate the Association of Nigerian Bankers. In addition to acting as a type of think tank for banking and management best practices, the association will serve as a banking trade group to articulate the industry's views on government policy. The association will be separate from the Bankers Committee, a semi-regulatory body chaired by the Central Bank of Nigeria (CBN).

¶9. (U) On June 2, the CBN increased the Monetary Policy Rate from 10% to 10.25%, its third increase this year (see reftel). During the Monetary Policy Committee meeting, the CBN also increased the cash reserve requirement from 3% to 4% for commercial banks, with an effective date of June 9.

¶10. (U) On June 11, the Nigerian Minister of Finance announced that the South African government endorsed three Nigerian banks to operate in South Africa: First Bank, Union Bank and United Bank of Africa (UBA).

¶11. (U) In cooperation with a June 12-13 U.S. Mission event on export credit financing for the Export-Import Bank (Ex-Im), U.S. Trade Development Agency, Foreign Agricultural Service, and Foreign Commercial Service, Ex-Im announced that it is more doubling the size of the Nigerian Bank Facility to \$1 billion. The Facility covering 14 Nigerian banks allows for expedited processing of short- and medium-term insurance, and guarantees transactions in support of U.S. exports. The increase in the Facility is to meet Nigerian banks growing demand for medium-term financing (5-7 years) to support U.S. exports of passenger aircraft, oil and gas equipment, dredges, and telecommunications and manufacturing equipment.

#### Other Important News

¶12. (SBU) Cancer Rates in Abia State: A team of doctors from MD Anderson Cancer Center in Houston, Texas visiting Abia State told PolOffs on April 13 that the incidence of cancer in Abia State was overwhelming. The group was concerned with the rising number of breast cancer cases in the region, and it recommended investigations into lifestyle, water and food sources, and environmental factors as possible causes. The team focused on capacity building of available health care

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facility staff, public education, cancer screenings and subsequent referrals to local hospitals, and the establishment of an effective referral system. The First Lady of Abia State provided transportation for the group, and said she would pay for the follow-up care of the patients seen by the team.

¶13. (U) Import Duties: In a front page headline, the daily "Leadership" urged the GON to "review import duties and to allow for a free flow of goods into the country." The article commented that "the high import tariff regime is counterproductive and largely responsible for the low revenue from customs duties even at this time of import boom." Meanwhile, Ambassador, Econoff, and USAID have followed up on this issue with both the Minister of Commerce (June 10) and Minister of Agriculture (June 24) on these issues.

¶14. (U) Cocoa Farming: Akinwale Ojo, Executive Secretary for the Cocoa Association of Nigeria, has urged the GON to offer cash subsidies to farmers, contending that the GON should do more than just distribute insecticides. He told the press that all of Nigeria's cocoa production is exported, 14 out of 36 states produce cocoa, and 80% of the production comes from five primary states.

¶15. (U) Roadway Funding: The Federal Executive Council (FEC) approved on June 11 a loan of N38.28 billion (\$330 million) for federal road infrastructure development and upgrade. The interest-free loan is to be secured from the International Development Association of the World Bank and will be used for the upgrade of the Sagamu-Ibadan Expressway, the Abuja-Kaduna-Zaria-Kano link road, and the Enugu-Abakiliki-Ogoja junction. The project is expected to start on July 28 of this year and end in 2016.

¶16. (SBU) Nigerian Customs Service (NCS) shakeup continues: The GON has re-structured the NCS, breaking the service into four departments: Corporate Support Service, Strategic Research and Policy, Tariff and Trade, and Enforcement, Investigation and Inspection. The move also led to the

removal/retirement of eight top officials, including Deputy Controller General A.K. Haliru and Assistant Controller General B.L. Kpagih, who both met with EconOff on May 8 to discuss temporary import licenses.

¶17. (SBU) Energy Partners Coordination Forum: At urging of Embassy Econ and USAID, the World Bank convened a new energy partners working group on June 5. The group should prove a useful forum for coordination on oil and gas and electric power policy and program initiatives. Participants included UNDP, AfDB, ECOWAS, UNIDO and German, French and U.K. reps. Upcoming meetings will focus on rural access, renewable energy, private sector investment, and broader policy issues.

¶18. (SBU) Dept Management Office: Acting AID Mission Director, Econcouns and U.S. Treasury Resident Advisor met with DMO Director General Dr. Abraham Nwankwo to celebrate eight years of productive USG technical assistance to the DMO. The TA has accomplished the following: move of domestic debt portfolio from the Central Bank to the DMO, relaunch of Federal Government Bond Market in 2003 after a lapse of 18 years, development of secondary market in government securities and bonds, licensing of 19 primary dealers and market makers, and improvement in Nigeria's credit rating. DMO has a new focus on debt management at the state level. The agency will keep close contact with Embassy, USAID and Treasury about its efforts and possible needs for assistance going forward. One area not addressed in this closeout meeting was need for federal ministries and other agencies to establish dedicated accounts within the central bank, in place of the current use of commercial accounts for ongoing government functioning.  
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